

President Wilson's Annual Message

Following is the text of President Wilson's message to Congress, which was read separately to the House and the Senate December 2:

To the Senate and House of Representatives:—

I sincerely regret I cannot be present at the opening of this session of the congress. I am thus prevented from presenting in as direct a way as I could wish the many questions that are pressing for solution at this time. Happily, I have the advantage of the advice of the heads of the several executive departments who have kept in close touch with affairs in their detail, and whose thoughtful recommendations I earnestly second.

In the matter of the railroads and the readjustment of their affairs, growing out of federal control, I shall take the liberty at a later day of addressing you.

I hope that congress will bring to a conclusion at this session legislation looking to the establishment of a budget system. That there should be one single authority responsible for the making of all appropriations, and that appropriations should be made not independently of each other, but with reference to one single comprehensive plan of expenditure properly related to the nation's income, there can be no doubt. I believe the burden of preparing the budget must, in the nature of the case, if the work is to be properly done and responsibility concentrated instead of divided, rest upon the executive. The budget so prepared should be submitted to and approved or amended by a single committee of each house of congress, and no single appropriation should be made by the congress, except such as may have been included in the budget prepared by the executive or added by the particular committee of congress charged with the budget legislation.

Another and not less important aspect of the problem is the ascertainment of the economy and efficiency with which the moneys appropriated are expended. Under existing law the only audit is for the purpose of ascertaining whether expenditures have been lawfully made within the appropriations. No one is authorized or equipped to ascertain whether the money has been spent wisely, economically and effectively. The auditors should be highly trained officials with permanent tenure in the treasury department, free of obligation to or motives of consideration for this or any subsequent administration, and authorized and empowered to examine into and make report upon the methods employed and the results obtained by the executive departments of the government. Their reports should be made to the congress and to the secretary of the treasury.

FUTURE TAXATION PROBLEM

I trust that the congress will give its immediate consideration to the problem of future taxation. Simplification of the income and profits taxes has become an immediate necessity. These taxes performed indispensable service during the war. They must, however, be simplified, not only to save the taxpayer inconvenience and expense, but in order that his liability may be made certain and definite.

With reference to the details of the revenue law, the secretary of the treasury and the commissioner of internal revenue will lay before you for your consideration certain amendments necessary or desirable in connection with the administration of the law—recommendations which have my approval and support. It is of the utmost importance that in dealing with this matter the present law should not be disturbed so far as regards taxes for the calendar year 1920, payable in the calendar year 1921. The congress might well consider whether the higher rates of income and profits taxes can in peace times be effectively productive of revenue, and whether they may not, on the contrary, be destructive of business activity and productive of waste and inefficiency. There is a point at which in peace times high rates of income and profits taxes discourage energy, remove the incentive to new enterprise, encourage extravagant expenditures and produce industrial stagnation, with consequent unemployment and other attendant evils.

The problem is not an easy one. A fundamental change has taken place with reference to the position of America in the world's af-

airs. The prejudice and passions engendered by decades of controversy between two schools of political and economic thought—the one believers in protection of American industries, the other believers in tariff for revenue only—must be subordinated to the single consideration of the public interest in the light of utterly changed conditions. Before the war America was heavily the debtor of the rest of the world, and the interest payments she had to make to foreign countries on American securities held abroad, the expenditures of American travellers abroad and the ocean freight charges she had to pay to others, about balanced the value of her pre-war favorable balance of trade. During the war America's exports have been greatly stimulated and increased prices have increased their value. On the other hand, she has purchased a large proportion of the American securities previously held abroad, has loaned some \$9,000,000,000 to foreign governments and has built her own ships. Our favorable balance of trade has thus been greatly increased and Europe has been deprived of the means of meeting it heretofore existing.

Europe can have only three ways of meeting the favorable balance of trade in peace times by imports into this country of gold or of goods or by establishing new credits. Europe is in no position at the present time to ship gold to us, nor could we contemplate large further imports of gold into this country without concern. The time has nearly passed for international governmental loans, and it will take time to develop in this country a market for foreign securities. Anything, therefore, which would tend to prevent foreign countries from settling for our exports by shipments of goods into this country could only have the effect of preventing them from paying for our exports, and therefore of preventing the exports from being made. The productivity of the country, greatly stimulated by the war, must find an outlet by exports to foreign countries, and any measures taken to prevent imports will inevitably curtail exports, force curtailment of production, load the banking machinery of the country with credits to carry unsold products and produce industrial stagnation and unemployment. If we want to sell we must be prepared to buy. Whatever, therefore, may have been our views during the period of growth of American business concerning tariff legislation, we must now adjust our own economic life to a changed condition growing out of the fact that American business is full grown and that America is the greatest capitalist in the world.

ISOLATION ENDED BY WAR

No policy of isolation will satisfy the growing needs and opportunities for America. The provincial standards and policies of the past, which have held American business as if in a straitjacket, must yield and give way to the needs and exigencies of the new day in which we live, a day full of hope and promise for American business if we will but take advantage of the opportunities that are ours for the asking.

The recent war has ended our isolation and thrown upon us a great duty and responsibility. The United States must share the expanding world markets. The United States desires for itself only equal opportunity with the other nations of the world, and through the process of friendly co-operation and fair competition the legitimate interests of the nations concerned may be successfully and equitably adjusted.

There are other matters of importance upon which I urged action at the last session of congress, which are still pressing for solution. I am sure it is not necessary for me again to remind you that there is one immediate and very practicable question resulting from the war, which we should meet in the most liberal spirit. It is a matter of recognition and relief to our soldiers. I can do no better than to quote from my last message urging this very action:

"We must see to it that our returning soldiers are assisted in every practicable way to find the places for which they are fitted in the daily work of the country. This can be done by developing and maintaining upon an adequate scale the admirable organization created by the Department of Labor for placing men seeking work; and it can also be done, in at least one very great field, by creat-

ing new opportunities for individual enterprise. The secretary of the interior has pointed out the way by which returning soldiers may be helped to find and take up land in the hitherto undeveloped regions of the country which the federal government has already prepared, or can readily prepare for cultivation, and also on many of the cut over or neglected areas which lie within the limits of the older States; and I once more take the liberty of recommending very urgently that his plans shall receive the immediate and substantial support of the congress."

PROTECTION FOR DYE INDUSTRY

In the matter of tariff legislation, I beg to call your attention to the statements contained in my last message urging legislation with reference to the establishment of the chemical and dyestuffs industry in America.

"Among the industries to which special consideration should be given is that of the manufacture of dyestuffs and related chemicals. Our complete dependence upon German supplies before the war made the interruption of trade a cause of exceptional economic disturbance. The close relation between manufacture of dyestuffs on the one hand, and of explosives and poisonous gases on the other, moreover, has given the industry an exceptional significance and value. Although the United States will gladly and unhesitatingly join the programme of international disarmament, it will, nevertheless, be a policy of obvious prudence to make certain of the successful maintenance of many strong and well equipped chemical plants. The German chemical industry, with which we will be brought into competition was, and may well be again, a thoroughly knit monopoly capable of exercising a competition of peculiarly insidious and dangerous kind."

During the war the farmer performed a vital and willing service to the nation. By materially increasing the production of his land he supplied America and the Allies with the increased amounts of food necessary to keep their immense armies in the field. He indispensably helped to win the war. But there is now scarcely less need of increasing the production in food and the necessities of life. I ask the congress to consider means of encouraging effort along these lines. The importance of doing everything possible to promote production along economical lines, to improve marketing and to make rural life more attractive and healthful, is obvious.

I would urge approval of the plans already proposed to the congress by the secretary of agriculture, to secure the essential facts required for the proper study of this question, through the proposed enlarged programmes for farm management studies and crop estimates. I would urge also, the continuance of federal participation in the building of good roads, under the terms of existing law and under the direction of present agencies; the need of further action on the part of the states and the federal government to preserve and develop our forest resources, especially through the practice of better forestry methods on private holdings and the extension of the publicly-owned forests; better support for country schools and the more definite direction of their courses of study along lines related to rural problems; and fuller provision for sanitation in rural districts and the building up of needed hospital and medical facilities in these localities. Perhaps the way might be cleared for many of these desirable reforms by a fresh comprehensive survey made of rural conditions by a conference composed of representatives of the farmers and of the agricultural agencies responsible for leadership.

UNREST IN BODY POLITIC

"I would call your attention to the widespread condition of political restlessness in our body politic. The causes of this unrest, while various and complicated, are superficial rather than deep seated. Broadly they arise from, or are connected with, the failure on the part of our government to arrive speedily at a just and permanent peace permitting return to normal conditions, from the transference of radical theories from seething European centres pending such delay from heartless profiteering resulting in the increase of the cost of living, and lastly from the machinations of passionate and malevolent agitators. With the return to normal conditions, this unrest will rapidly disappear. In the meantime it does much evil.

It seems to me that in dealing with this situation congress should not be impatient or drastic, but should seek rather to remove the causes. It should endeavor to bring our coun-